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FISCAL IMPACT STATEMENT

LS 7064

BILL NUMBER: HB 1554

NOTE PREPARED: May 1, 2009

BILL AMENDED: Apr 29, 2009

SUBJECT: Energy Matters.

FIRST AUTHOR: Rep. Battles

FIRST SPONSOR: Sen. Gard

BILL STATUS: Enrolled

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: *Alternative Fuel Fueling Station Grants:* The bill allows the Indiana Office of Energy Development (IOED) to award grants to certain businesses and local government units that make qualified investments after June 30, 2009, to install and place into service in Indiana fueling stations that dispense alternative fuel (defined as liquefied petroleum gas, a compressed natural gas product, or a combination of liquefied petroleum gas and a compressed natural gas product).

It provides that not more than one grant may be awarded for a single location, and it provides that the amount of a grant awarded for a location may not exceed the lesser of: (1) the amount of the grant recipient's qualified investment for the location; or (2) \$20,000. The bill also provides that the amount of a grant awarded for a location may be less than the amount of the grant recipient's qualified investment for the location. It provides that the total amount of grants awarded for all state fiscal years may not exceed \$1 M.

Alternative Fuel Fueling Station Grant Fund: The bill establishes the Alternative Fuel Fueling Station Grant Fund to award the grants, and provides that the IOED shall administer the fund.

Qualified Purchases: It allows the IOED to award grants to certain local government units that make qualified purchases after June 30, 2009, of:

- (1) one or more alternative fuel vehicles; or
- (2) one or more alternative fuel conversion kits.

The bill provides that not more than one grant may be awarded to any one unit. It also provides that the amount of a grant that may be awarded to a unit is the sum of: (1) \$2,000 multiplied by the number of alternative fuel vehicles purchased; plus (2) for each alternative fuel conversion kit purchased, an amount

equal to the lesser of \$2,000 or the actual cost of the conversion kit. The bill provides that the IOED may limit the number of alternative fuel vehicles or alternative fuel conversion kits for which a unit may receive a grant, and it provides that the total amount of grants awarded for all units may not exceed \$1 M.

Local Unit Alternative Fuel Vehicle Grant: The bill establishes the Local Unit Alternative Fuel Vehicle Grant Fund to award the grants, and it provides that the IOED shall administer the Fund.

Clean Energy Vehicle Purchases: The bill provides that if a state entity (which excludes a state educational institution) purchases or leases a vehicle after December 31, 2009, it must purchase or lease a clean energy vehicle unless the Department of Administration (DOA) determines that the purchase or lease of a clean energy vehicle: (1) is inappropriate because of the purposes for which the vehicle will be used; or (2) would cost at least 10% more than the purchase or lease of a vehicle that is not a clean energy vehicle and is designed and equipped comparably to the clean energy vehicle.

Exemptions: It specifies that these requirements do not apply to the: (1) purchase or lease of vehicles by or for the Indiana State Police; and (2) short-term or temporary lease of vehicles.

Preference for Indiana Built: The bill requires the DOA to adopt rules or guidelines to provide a preference for the purchase or lease by state entities of clean energy vehicles manufactured wholly or partially in Indiana or containing parts manufactured in Indiana.

Reporting: It provides that before August 1 of 2010 and each year thereafter, each state entity shall submit to the DOA information regarding the use of clean energy vehicles and alternative fuels by the state entity. It requires the DOA to submit a report to the General Assembly and to the Governor before September 1 of 2010 and each year thereafter that lists the information for each state entity and for all state agencies in the aggregate.

Office of Alternative Energy Incentives: The bill establishes the Office of Alternative Energy Incentives (OAEI) within the IOED to administer a program to provide incentives for Rural Electric Membership Corporations (REMCs) and their cooperatively owned power suppliers to develop alternative energy projects.

It provides that: (1) the director of the IOED; or (2) the designee of the director of the IOED; shall serve as the OAEI's director.

Alternative Energy Incentive Fund: The bill establishes the Alternative Energy Incentive Fund to provide funds to corporations for use in developing alternative energy projects. It requires the OAEI to administer the fund and to establish an account within the fund for each REMC.

It provides that not later than August 1 of each year, beginning in 2009, an REMC may apply to the OAEI to have access to a certain percentage of the total funds in the REMC's account as of July 1 of the year, based on the percentage of the REMC's total sales from the provision of retail energy service during the preceding calendar year that was attributable to alternative energy projects. It allows two or more REMCs that are members of the same cooperatively owned power supplier to develop alternative energy projects jointly. It also sets forth limitations on how money drawn from an REMC's account may be used.

Authority: The bill gives the OAEI authority to adopt rules to implement the program.

Federal Stimulus: The bill also provides that any money that may become available to an REMC in

connection with federal economic stimulus programs may not become part of the incentive fund or an account within the Alternative Energy Incentive Fund without the consent of the REMC.

It provides that an REMC shall have access to federal economic stimulus funds: (1) for the same uses; and (2) in accordance with the same processes; as any other energy utility may have access to or use federal economic stimulus money.

Definitions: The bill amends the definition of "renewable energy resources" for purposes of utility generation and clean coal technology statutes to: (1) provide that energy from waste to energy facilities, to fall within the definition, is not limited to facilities producing steam not used for the production of electricity; and (2) include energy storage systems.

Appropriations: The bill makes appropriations.

Effective Date: Upon Passage; July 1, 2009.

Explanation of State Expenditures: Summary- This bill would increase state expenditures by establishing grant programs for alternative fuel fueling stations and alternative vehicle purchases. However, the bill could result in cost savings with the promotion of the use of alternative fuel vehicles. Additionally, the bill may increase administrative costs by establishing an Office of Alternative Energy Incentives within the Indiana Office of Energy Development (IOED). These costs are expected to be offset with reimbursements from the Alternative Energy Incentive Fund (AEIF) also established under the bill. The bill does not contain an appropriation for the grant programs.

Additional Details-

Indiana Office of Energy Development: This bill would increase administrative expenditures for the IOED. The bill requires the IOED to adopt guidelines to determine standards for awarding grants under the Alternative Fuel Fueling Station Grant Program and the Local Unit Alternative Fuel Vehicle Grant Program for local units. The current level of resources should be sufficient to implement the provisions of the bill.

Alternative Fuel Fueling Station Grant Program: This bill establishes the Alternative Fuel Fueling Station Grant Program. The program is funded by the Alternative Fuel Fueling Station Grant Fund. The fund consists of money appropriated by the General Assembly, money received from state or federal grants or programs for alternative fuels projects and donations, gifts, and money received from any other source, including transfers from other funds or accounts. Money in the fund is continuously appropriated. The bill provides that the amount of a grant awarded for a location may not exceed the lesser of the amount of the recipient's qualified investment or \$20,000. The bill provides that the IOED may not award more than one grant for a single location. The bill also provides that the total amount of grants awarded for all state fiscal years may not exceed \$1 M. The bill does not contain an appropriation for the grant program.

Alternative Fuel Vehicle Grant Program for Local Units: This bill also establishes the Alternative Fuel Vehicle Grant Program for local units. The program is funded by the Alternative Fuel Vehicle Grant Fund. The fund consists of money appropriated by the General Assembly, money received from state or federal grants or programs for alternative fuels projects and donations, gifts, and money received from any other source, including transfers from other funds or accounts. Money in the fund is continuously appropriated. This bill would decrease local expenditures for purchases of alternative fuel vehicles and conversion kits.

Local units may receive grants for qualified purchases of alternative fuel vehicles or alternative fuel conversion kits (including installation costs). A local unit may receive a grant award of \$2,000 for each alternative fuel vehicle purchased and an amount equal to the lesser of \$2,000 or the actual cost for each alternative fuel conversion kit purchased. The bill also provides that the total amount of grants awarded for all state fiscal years may not exceed \$1M. The bill does not contain an appropriation for the grant programs.

Office of Alternative Energy Incentives: This bill establishes the OAEI within the IOED. The bill requires that the OAEI administer the Alternative Energy Incentive Fund (established in the bill), adopt rules governing the administration of the fund, and establish an account within the fund for each individual REMC. The increase in expenditures from this provision will be totally offset by the required reimbursement from the AEIF. The director of the IOED or the director's designee serves as director of the OAEI and may receive compensation as determined by the director and approved by the Budget Agency.

Alternative Energy Projects by Rural Electric Membership Corporations: This bill establishes a program to provide financial incentives to REMCs to develop alternative energy projects. The program is funded through the AEIF, which consists of money appropriated by the General Assembly, money received from state or federal grants or programs, and donations. Money in the fund is continuously appropriated. The OAEI will receive, review, and approve applications from REMCs to utilize money available to the REMC in separate accounts in the AEIF. The bill provides that any federal stimulus funds that become available to a corporation may only become part of the AEIF with the consent of the corporation.

Clean Energy Vehicle Purchases and Reporting: Cost savings to the state would result from purchasing vehicles that cost less to operate and maintain. The fiscal impact of this bill will depend on the vehicles purchased. Reporting requirements under the bill are not expected to increase costs since agencies already report this information to Fleet Services.

Preference for Indiana Built: The bill may add cost to vehicle purchases by requiring DOA to adopt rules or guidelines to provide a preference for the purchase or lease of cars manufactured in Indiana or with parts made in Indiana. A current Buy Indiana preference gives a 1% to 5% price preference to Indiana products.

Background:

Alternative Energy Projects and Rural Electric Membership Cooperatives: Alternative energy projects defined in the bill include clean coal and energy projects; renewable energy resource for the production of electricity; integrated gasification combined cycle technology to produce synthesis gas; methane recovered from landfills for electricity; and coal bed methane. The provisions of this bill apply only to REMCs organized as local districts as defined in IC 8-1-13-23(b).

Funding Availability: By August 1 of each year, an REMC may access up to 40% of the funds in its account upon certifying to the OAEI that alternative energy projects accounted for 5% or less of the REMC's total sales from the provision of retail energy service during the preceding calendar year. The bill also provides that an REMC may have access to 70% of the funds in its account upon certifying to the OAEI that alternative energy projects accounted for 5% to 10% of the REMC's total sales from the provision of retail energy service during the preceding calendar year.

An REMC may have access to 100% of the total funds in their account upon certifying to the OAEI that:
(1) alternative energy projects accounted for at least 10% of the REMC's total sales from the

- provision of retail energy service during the preceding calendar year;
- (2) at least 50% of the sales attributed to alternative energy projects were made to Indiana customers; and
- (3) at least 50% of the alternative energy projects that:
- (A) accounted for at least 10% of the REMC total sales were for the provision of retail energy service during the preceding calendar year; and
 - (B) are energy production or generating facilities located in Indiana.

Clean Energy Vehicle Purchases and Preference for Indiana Built: The state purchases vehicles through quantity purchase agreements (QPA) with car dealerships. (The universities, excluded from the provisions of this bill, may purchase under the state contracts, but do their own purchasing.) Currently, the DOA applies the Buy Indiana preference which is applied to the QPAs for vehicles with regard to the dealership. Applying Buy Indiana preference to the manufacturer of the vehicle is complicated by the manufacturers not providing the percentage of parts used by geographic origin and the frequent changing of the mix (by geographic origin) of the parts used in the manufacture.

Also, DOA Fleet Services has a QPA with Enterprise Rental Car to provide daily vehicle rental statewide. DOA indicates that newer vehicle models and the statewide distribution are two benefits of this arrangement. Cars rented through this QPA would be exempt from the provisions of the bill.

Explanation of State Revenues:

Explanation of Local Expenditures: See *Explanation of State Expenditures* regarding the Alternative Fuel Fueling Station Grant Program and the Alternative Vehicle Grant Program for Local Units. [Currently, there are 14 compressed natural gas fueling stations and 31 propane fueling stations in Indiana.]

Explanation of Local Revenues:

State Agencies Affected: IOED; DOA.

Local Agencies Affected:

Information Sources: U.S. Department of Energy, Alternative Fuels & Advanced Vehicles Data Center.
http://www.afdc.energy.gov/afdc/progs/ind_state.php/IN/CNG
and http://www.afdc.energy.gov/afdc/progs/ind_state.php/IN/LPG

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